

United States Senate

WASHINGTON, DC 20510

June 9, 2014

The Honorable Dick Durbin
Chairman
Subcommittee on Defense
Senate Appropriations Committee
Senate Dirksen Building, 122
Washington, DC 20510

The Honorable Thad Cochran
Ranking Member
Subcommittee on Defense
Senate Appropriations Committee
Senate Dirksen Building, 122
Washington, DC 20510

Dear Chairman Durbin and Ranking Member Cochran,

As you begin consideration of the Department of Defense Appropriations Act for 2015, I respectfully request your support for the programs listed below. The funding requested for the national programs is to be spent at the Department of Defense's (DOD) discretion within the existing budget line and is not intended for any specific business, state, community or other entity. This letter replaces the request I submitted on May 2.

1. Bill Language Requested for Repeal of Section 811: "Section 811 of the National Defense Authorization Act for 2010 is repealed."

Rationale: Since enactment of Section 811, government contracting officers have been deterred from awarding contracts to Tribal entities. Deterrence has been especially pronounced in contracting officials working for DOD who have received conflicting guidance from their employing military department headquarters, the Office of the Secretary of Defense, and/or been issued guidance inconsistent with the intent of the law specifically limiting contracting with Native 8(a) entities. A separate letter with additional information has been sent on this matter.

2. Title: Innovative Readiness Training (IRT)

Program Description: The IRT Program is a volunteer training opportunity for our National Guard and Reserves. IRT's focus is to provide varied and challenging training opportunities that exercise the Mission Essential Task List (METL) requirements of combat support and combat service support units and individuals. IRT contributes directly to military readiness and provides outstanding and realistic combat support and combat service support training in a multi-service environment for National Guard and Reserve members.

Fiscal Year 2015 President's Budget Request: \$16.138 million

Additional Amount Requested: +\$3.862 million

Budget Account: OMDW 0100D, BA-4 Administration and Service Wide Activities, 060 Civil Military Programs, SAG IRT.

Recipient: Department of Defense, Reserve Affairs

Rationale: The IRT program was funded at approximately \$20 million in Fiscal Year 2015. This program is vital to civilian-military cooperation and partnerships, in addition to providing unique training needs for Reserve component members. Without additional funding, key training activities and community projects in much needed areas will be eliminated. Program funding has not increased for several fiscal years to meet growing needs.

3. Report Language: Our nation is currently facing a significant budget deficit and the federal government must make tough choices about how to best invest taxpayer dollars. At the same time, it is critical we continue to support our national priorities and preserve important scientific, commercial and defense capabilities. The U.S. has long been a leader in the area of space operations and the Committee believes it is imperative to maintain this role. The Committee notes that a lack of competition for launch services has resulted in significant and growing launch costs and disincentives to industry from investing in research and development of new and improved launch capabilities. Therefore, to promote competition at U.S. facilities, of the amount authorized for infrastructure and overhead for space launch capability, \$10,000,000 shall be provided to spaceports or launch and range complexes that are commercially licensed by the Federal Aviation Administration and receive funding from the local or state government. In order to promote access to space in all orbits, the spaceports or launch and range complexes must have the capacity to provide mid-to-low inclination orbits or polar-to-high inclination orbits in support of the national security space program.

Rationale: The Committee has long recognized the importance of competition in driving down costs and increasing contracting performance, specifically with respect to the national security space mission. To supplement existing federal facilities to maintain our access to space while simultaneously achieving efficiencies and cost-savings through competition, new opportunities must be opened for the full range of U.S. space infrastructure, including commercial and state-owned facilities. Increasing the capabilities and number of U.S. launch facilities is a prudent measure to minimize the risks to our nation's ability to launch priority space-based assets.

4. Title: Combat Rescue Helicopter

Program Description: The Combat Rescue Helicopter conducts day, night, and marginal weather combat search and rescue.

Fiscal Year 2015 President's Budget Request: \$0

Additional Amount Requested: \$0

Budget Account: RDAF, PE 0605229F

Recipient: Department of the Air Force

Report Language Requested: The Committee commends the Air Force on moving forward with the life-saving Combat Rescue Helicopter (CRH) program. A new aircraft is required to provide capability for continuation of the Combat Search and Rescue Mission given the detrimentally low readiness rates of the aging and overworked HH-60G helicopters. The Secretary of the Air Force made the determination to move forward with the CRH program after the President's Budget Request for Fiscal Year 2015 had been submitted to Congress. Thus, the Fiscal Year 2015 Budget Request zeroes funding for the CRH program and no funding is reflected in the Future Years Defense Program. Prior year funding appropriated will carry the program through Fiscal Year 2015 and the Secretary of the Air Force has verbally committed to providing program funding in Fiscal Year 2016. However, if funding is not provided in Fiscal Year 2016, the program will be subject to increased costs and Initial Operating Capability delays would jeopardize the ability to meet Combat Search and Rescue mission requirements. Therefore, the Committee urges the Secretary of the Air Force to properly budget for the program in the out years consistent with the most recent decision on the program.

Rationale: It is critical for Congress to express support for a replacement aircraft, request the expected funds in Fiscal Year 2016 to avoid schedule delays, and support budget increases to ensure delivery of this much needed capability for the combat search and rescue mission.

5. Title: Domestic Support Drug Interdiction and Counterdrug Activities

Program Description: This funding supports federal, state and local drug law enforcement agencies (DLEAs) requests for domestic operational and logistical support, and will assist the DLEAs in their efforts to reduce drug-related crime. The funds will be used for the total National Guard State Plans that supports domestic law enforcement efforts and counter-narcoterrorism schools; Domestic Operational Support, such as U.S. Northern Command (NORTHCOM) counter-narcoterrorism support to DLEAs and Title 10 National Guard translation efforts; and domestic detection and monitoring efforts such as tethered aerostats.

Fiscal Year 2015 President's Budget Request: \$122.3 million for domestic support within the \$719.1 million base budget request for the Drug Interdiction account.

Additional Amount Requested: +\$40 million

Budget Account: OMDW Transfer Accounts 0105D, BA-4 Administration and Service Wide Activities, Drug Interdiction and Counterdrug Activities 010

Recipient: Department of Defense

Rationale: Additional funding is required to provide for domestic support programs to operate through the fiscal year. These domestic support programs have historically been underfunded. The Fiscal Year 2015 request represents a substantial reduction from Fiscal Year 2014 levels, leaving DLEAs across the country in jeopardy of losing this valuable program.

6. Title: Civil Air Patrol Procurement

Program Description: The Civil Air Patrol (CAP) is a congressionally chartered non-profit corporation that serves as the Auxiliary of the Air Force. CAP uses federally provided resources to provide assistance requested by the DOD, federal, state or local government authorities and non-governmental organizations (NGOs) to perform emergency or non-emergency public purpose missions and activities. Pursuant to U.S. Code (Title 10 & 36), the purpose of CAP Corporation is to encourage and aid citizens of the U.S. in contributing their efforts, services and resources in developing aviation and in maintaining air supremacy; and to encourage and develop by example the voluntary contribution of private citizens to the public welfare. CAP provides aviation education and training, as well as encourages and fosters civil aviation in local communities. CAP also provides an organization to assist in meeting local emergencies and assists the Department of the Air Force in non-combat programs and missions.

Fiscal Year 2015 President's Budget Request: \$2.541 million

Additional Amount Requested: +\$7.659 million

Budget Account: APAF, BA-4 Other Aircraft, Line 12, Civil Air Patrol Aircraft

Recipient: Department of the Air Force

Rationale: Additional funding will provide for more-capable modern aircraft for efficient and effective missions to ensure a reliable CAP. Current CAP platforms are in need of replacement.

7. Title: Civil Air Patrol Operations

Program Description: The Civil Air Patrol (CAP) is a congressionally chartered non-profit corporation that serves as the Auxiliary of the Air Force. CAP uses federally provided resources to provide assistance requested by the DOD, federal, state or local government authorities and non-governmental organizations (NGOs) to perform emergency or non-emergency public purpose missions and activities. Pursuant to U.S. Code (Title 10 & 36), the purpose of CAP Corporation is to encourage and aid citizens of the U.S. in contributing their efforts, services and resources in developing aviation and in maintaining air supremacy; and to encourage and develop by example the voluntary contribution of private citizens to the public welfare. CAP provides aviation education and training, as well as encourages and fosters civil aviation in local communities. CAP

also provides an organization to assist in meeting local emergencies and assists the Department of the Air Force in non-combat programs and missions.

Fiscal Year 2015 President's Budget Request: \$24.981 million

Additional Amount Requested: +\$2.419 million

Budget Account: OMAF 3400F, BA-4 Administration and Service Wide Activities, 420 Service Wide Activities, SAG 042I Civil Air Patrol

Recipient: Department of the Air Force

Rationale: CAP operations and maintenance costs are underfunded for Fiscal Year 2015. Reduced funding would cripple volunteer operations in every state. Specific reductions include: 35 percent cut in emergency response support to the Air Force, DOD, the Federal Emergency Management Agency and other federal, state and local agencies, 35 percent cut to training, 20 percent cut to CAP's aircraft fleet, and a 20 percent cut to cadet activities. Additional funding will ensure CAP is able to carry out support of authorities.

8. Title: Naval Sea Cadet Corps

Program Description: Since 1958 the Naval Sea Cadet Corps has been committed to providing American youth with a drug and alcohol free environment to foster their leadership abilities, broaden their horizons through hands-on training, and guide them to becoming mature young adults. Sea Cadet organizations exist in most of the maritime nations of the world. Recognizing the value of these organizations in educating youth in maritime matters, the Department of the Navy requested the Navy League of the United States establish a similar program for American youth. The Navy League agreed to do so and formally established the Naval Sea Cadet Corps and the Navy League Cadet Corps in 1958. Recognizing the importance and benefits of the Naval Sea Cadet Corps, Congress on September 10, 1962, federally incorporated the Naval Sea Cadet Corps under Public Law 87-655 (36 USC 1541). The program supports the Navy's recruiting goals for officer and enlisted personnel.

Fiscal Year 2015 President's Budget Request: \$1.7 million

Additional Amount Requested: +\$1.148 million

Budget Account: OMN 1804N, BA-3 Training and Recruiting, 460 Recruiting and Other Training & Education, SAG 3C1L Recruiting and Advertising

Recipient: Department of the Navy

Rationale: Additional funding requested will be used to decrease out of pocket expenses for cadets to participate in the summer program and to conduct background checks on volunteers and allow the Cadet Corps to maintain its current level of operations.

9. Title: Ground-Based Midcourse Defense (GMD)

Program Description: The GMD element consists of a complex communications system, fire control capability, and ground-based interceptors. The GMD element is a key component of the Ballistic Missile Defense System, providing Combatant Commanders capability to engage ballistic missiles in the midcourse phase of flight. This phase, compared to boost or terminal, allows significant time for sensor viewing from multiple platforms and thus provides multiple engagement opportunities for hit-to-kill interceptors. GMD provides the capability to engage and destroy long-range threats in the midcourse battle space to protect the U.S. Homeland.

Fiscal Year 2015 President's Budget Request: \$1.003 billion

Additional Amount Requested: +\$250 million

Budget Accounts: RDDW, Line 83, PE 0603882C, Ballistic Missile Defense Midcourse Defense Segment

Recipient: Missile Defense Agency

Rationale: To counter the Intercontinental Ballistic Missile and Intermediate Range Ballistic Missile threat, in accordance with the Achievable Capability List. Despite increased deployment of GBIs to counter the advancing ballistic missile threat to the homeland funding has remained stagnant. The President's Budget Request for Fiscal Year 2015 is \$58 million below the President's Budget Request for Fiscal Year 2014 request for similar program content. Additional funding will be used to make necessary investments in the sustainment and reliability of the GBIs currently deployed while simultaneously allowing for modernization, testing and fielding of additional interceptors consistent with the National Defense Strategy and Quadrennial Defense Review.

10. Title: Alternative Energy Research

Program Description: This PE supports the development of technologies associated with all naval platforms (surface, subsurface, terrestrial and air) and the protection of those platforms. Each PE Activity has unique goals and metrics, some of which include classified quantitative measurements. Overall metric goals are focused on achieving sufficient improvement in component or system capability such that the 6.2 applied research projects meet the need of or produce a demand for inclusion in advanced technology that may lead to incorporation into acquisition programs or industry products available to acquisition programs. Efforts funded in this PE also include energy programs in support of SECNAV energy goals and efforts in support of the Ohio Replacement program.

Fiscal Year 2015 President's Budget Request: \$139.496 million

Additional Amount Requested: +\$25 million

Budget Accounts: RDN, Line 5, PE 0602123N, Force Protection Applied Research

Recipient: Department of the Navy

Rationale: The Navy's work in alternative energy research has been a result of Congress's direction. If Fiscal Year 2012 and 2013 the Committee added to each of the military services RDT&E accounts for programs in alternative energy. Increased investment will be used to meet the Navy's goal of producing 50 percent.

Additionally, I respectfully request carryover of the following provisions which have been included in the Department of Defense Appropriations bill annually for a substantial number of years:

1. Language specifying that none of the funds appropriated in the bill may be used for procuring alcoholic beverages in a state other than the state a military installation is located in a case in which the state is non-contiguous. This language has been included annually since 1986. Proposed language is attached.
2. Section 8039 from Public Law 112-74 regarding the process for civilian to contractor performance to Preserves opportunities for disadvantaged groups across the country.
3. Indian Incentive Program: For over 20 years the program has successfully provided Native-owned businesses significant opportunities in government contracting.

I also support fully funding the DOD's request for C-130J procurement and restoring Joint Strike Fighter research, development and procurement to those projected in Fiscal Year 2014. The Fiscal Year 2015 President's budget request includes funding 34 F-35 Joint Strike Fighters, which is a reduction of eight aircraft as a result of sequestration. Should additional funding become available for tactical aviation, the addition of four Air Force F-35As and four Navy F-35Cs to restore the expected production rate for the program and to continue reducing unit fly-away costs would ensure the program meets its validated requirement on time to address advancing threats. Restored funding will also provide for production efficiencies to achieve future projected cost savings based on previously projected procurements quantities.

Additionally, I urge the committee to reject DOD's request for a domestic Base Realignment and Closure (BRAC) and support the committee's continued effort to achieve cost savings by closure and consolidation of expensive overseas installations. Near-term force structure impacts caused by fiscal uncertainty, like a potential additional decrease in Army end strength, also make the request pre-mature. Fiscal Year 2015 force structure proposals also need to be approved by Congress before a BRAC should be authorized. Furthermore, the BRAC authority request from DOD mirrors the 2005 BRAC process, which was biased and ended up costing a substantial amount of money that was not anticipated. Until there is a new, objective process and authority requested, I do not have confidence a BRAC round will be executed in the best interest of our nation's defense.

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Finally, I encourage the committee to reject DOD's proposals to decrease commissary subsidies, to consolidate TRICARE plans, to raise TRICARE fees, and to reduce Basic Housing Allowance. These proposals will do little more than increase out-of-pocket costs to service members, retirees and their families. Such drastic cuts to these benefits and entitlements would negatively impact overall force readiness and increase stress for our military families. We should not pay for overspending out of our service members' and veterans' wallets.

Thank you for your consideration of these requests. Please do not hesitate to contact my staff, Cory Turner, at (202) 224-3004 if additional information is required.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Begich", is positioned above the printed name.

Mark Begich
United States Senator

ISSUES RELATED TO SPIRITS SALES AND EXCISE TAXES ON MILITARY BASES IN THE STATES OF ALASKA AND HAWAII

Military personnel, their families, retirees and certain military contractors are eligible to shop at retail stores located on many of the nation's military bases. These stores are operated by the Army and Air Force Exchange Service (AAFES) and the Navy Exchange Service Command (NEXCOM). These entities operate post exchanges, commissaries, and package stores.

One of the products sold through these stores is distilled spirits, and the AAFES and NEXCOM system – for the most part – purchase distilled spirits products directly from manufacturers and sell them in their own stores, bypassing the normal three-tier distribution system under which most civilian sales of beverage alcohol products are sold. This allows the military to sell spirits that are not only exempt from excise taxes, but that also are not subject to the normal safety provisions maintained by wine and spirits wholesalers.

Beginning in Fiscal Year 1986 with the Defense Appropriation Acts, military stores in non-contiguous states (Alaska and Hawaii) have been required to purchase spirits from in-state distributors, a program known as "Buy-Local." This "Buy-Local" provision results in an increase in product acquisition cost in these two states.

The reason behind the cost increase for sales in Alaska and Hawaii is two-fold. First, since they are going through the normal distribution system, state excise taxes are paid, something that does not occur when military stores purchase directly from distillers. Second, since the military purchases products from wholesalers in the state, they do not enjoy the significant volume discounts that they receive from their direct distribution operations in other states.

Available models do not have access to military pricing and sourcing information, but a model developed for the Wine and Spirits Wholesalers of America suggests that the elimination of the "Buy-Local" provision would make the price of the average bottle of spirits about \$5.62 cheaper in Alaska and \$3.49 cheaper in Hawaii. Since Alaska and Hawaii have a disproportionately large number of military personnel -- the percent of the population eligible to shop in on base stores is approximately 19 percent in Alaska and 22 percent in Hawaii -- and most of the major military bases in both states are located adjacent to or within the largest cities, these cheaper prices could lead to an expansion of alcohol smuggling.

When widespread access to military stores is combined with the significant price drop that would occur if the "Buy-Local" provision were to expire, it is likely that the volume of spirits moving from the military into the civilian marketplace would increase by 2.65 million bottles in Alaska and 2.04 million bottles in Hawaii.

Were this to happen, the state of Alaska would see a decline in spirits excise tax revenues of as much as \$6.726 million, or 27% of the state's spirits excise taxes, and the state of Hawaii would see a decline of \$2.415 million (10.4% of all beverage alcohol taxes) based on current excise tax rates.

1 SEC. 8066. None of the funds appropriated by this
2 Act shall be used for the support of any nonappropriated
3 funds activity of the Department of Defense that procures
4 malt beverages and wine with nonappropriated funds for
5 resale (including such alcoholic beverages sold by the
6 drink) on a military installation located in the United
7 States unless such malt beverages and wine are procured
8 within that State, or in the case of the District of Colum-
9 bia, within the District of Columbia, in which the military
10 installation is located: *Provided*, That in a case in which
11 the military installation is located in more than one State,
12 purchases may be made in any State in which the installa-
13 tion is located: *Provided further*, That such local procure-
14 ment requirements for malt beverages and wine shall
15 apply to all alcoholic beverages only for military installa-
16 tions in States which are not contiguous with another
17 State: *Provided further*, That alcoholic beverages other
18 than wine and malt beverages, in contiguous States and
19 the District of Columbia shall be procured from the most
20 competitive source, price and other factors considered.

21 (INCLUDING TRANSFER OF FUNDS)

22 SEC. 8067. Of the amounts appropriated in this Act
23 under the heading "Operation and Maintenance, Army",
24 \$133,381,000 shall remain available until expended: *Pro-*
25 *vided*, That notwithstanding any other provision of law,

Senator	State	Priority	Item/Project Name	Account	Line #	Program Element	Change from President's Budget (in thousands)	Language
BEGICH, Mark	AK	1	Repeal 811 NDAA FY2010					Bill
BEGICH, Mark	AK	2	Innovative Readiness Training (IRT)	OMDW	BA-4	060 Civ Mil	\$3,862	None
BEGICH, Mark	AK	3	Space Launch Service/Cape Comp					Report
BEGICH, Mark	AK	4	Combat Rescue Helicopter (CSAR HH-60)	RDAF	BA-5	PE 0605229F	\$0	Report
BEGICH, Mark	AK	5	Domestic Support Drug Interdiction and Counter Drug activities	OMDW	BA-4	010 Drug & Counterdrug	\$40,000	None
BEGICH, Mark	AK	6	Civil Air Patrol Procurement	APAF	12		\$7,659	None
BEGICH, Mark	AK	7	Civil Air Patrol Operations	OMAF	BA-4	420 Service Wide	\$2,419	None
BEGICH, Mark	AK	8	Naval Sea Cadet Corps	OMN	BA-3	460 Recruiting OT&E	\$1,148	None
BEGICH, Mark	AK	9	Ground-Based Midcourse Defense	RDDW	83	PE 0603882C	\$250,000	None
BEGICH, Mark	AK	10	Alternative Energy Research	RDN	5	PE 0602123N	\$25,000	None
BEGICH, Mark	AK	11	Procurement of Alcoholic Beverages					Bill
BEGICH, Mark	AK	12	Civilian to Contractor Performance					Bill
BEGICH, Mark	AK	13	Disadvantaged groups					Bill
BEGICH, Mark	AK	14	Indian Incentive Program					
BEGICH, Mark	AK	15	C130J Procurement					
BEGICH, Mark	AK	16	Joint Strike Fighter					None
BEGICH, Mark	AK	17	Reject BRAC					None
BEGICH, Mark	AK		Reject entitlement benefits					